

INTERNATIONAL COMMERCIAL POLICY
FOUNDED ON NATURAL
ECONOMIC LAW.

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WITH AN INTRODUCTION

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S. UCHIDA, CONSULATÉ-GENERAL OF JAPAN, NEW YORK.

INTRODUCTION.

American and European readers of the paper under the above title, by Mr. Allen Ripley Foote of Chicago, may be interested in learning the circumstances under which it was written.

I returned to my post as consul-general of Japan at New York, February 4, 1902, after a year's absence in my own country. I was then aware of the proposed visit to the United States of Count Matsukata, formerly premier and minister of finance of Japan, on his tour of the world as a private person for the purpose of studying general economic and financial situations of different countries. As he is one of the foremost statesmen and financiers in our country, it became a part of my official duties to arrange conferences for him with persons in public and private life whose views on the subjects of his inquiries would be of value to him.

Being a close student of Mr. Foote's writings, and having, some four years previously, co-operated with him in the publication, in English, of Count Matsukata's speech in our Diet on the subject of the adoption of the gold standard by Japan, together with a full text of the law as enacted, I was very desirous that

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he should meet Count Matsukata and assist him in his study of questions concerning this country. With this purpose in view, I informed Mr. Foote on March 19th that the count would arrive in this country early in April, and expressed my desire that he should meet him. After the count's arrival, and arrangements for his time were made, I telegraphed Mr. Foote that Count Matsukata would be pleased to meet him at the Hotel Majestic, New York, Saturday, April 19, 1902. At that time I had the pleasure of introducing Mr. Foote to Count Matsukata and others in his party.

Mr. Foote had not been advised of the subjects concerning which the count would make inquiry. The entire discussion was impromptu. At the close of the conference it was suggested that it would be desirable to have Mr. Foote's remarks on a protective tariff reduced to writing. This Mr. Foote consented to do.

When he had the paper ready for me that evening Mr. Zumoto, editor of the Japan Times, called upon him, and after reading the paper, Mr. Zumoto was very anxious to procure a copy for publication. Mr. Foote placed the paper in my hands, to be used at my discretion. I gave Mr. Zumoto a copy. Its full text was published in English in the Japan Times, Tokio, June 28, 1902.

It was then translated and published in the vernacular in the "Chu-wo," Tokio, of which Mr. Ooka, member of the House of Representatives of Japan, is publisher.

It may not be out of place to say in this connection

that when Mr. Ooka visited the United States in 1899 he had several conferences with Mr. Foote, directing his inquiries to discussions of franchise and trust questions. Undoubtedly his acquaintance with Mr. Foote enabled him the better to appreciate the discussion of international commercial policy presented in the paper to which this explanatory note of introduction is written.

S. UCHIDA,

Consulate General of Japan.

New York, November 22, 1902.

INTERNATIONAL COMMERCIAL POLICY, FOUNDED ON NATURAL ECONOMIC LAW.

Natural laws are the same for all countries and ages. The degree of civilization for any country, in any age, is determined by the degree of relative completeness with which it applies, in its public policies, natural moral and economic laws. Economic law applies the principles of moral law. The discernment of this truth determines the people's conception of justice. By its application justice is established. Moral law teaches honesty as a principle. Economic law enforces honesty as a practice. No nation has a moral right to adopt a commercial policy for itself, the duplication of which, on the part of any other nation, it would wish to resist.

The policy of each nation, and the local policy of each community within a nation, should be designed to teach, encourage and assist the people to use to the best economic advantage the resources that are their own, the natural resources and productivity of their coun-

try, their individual energy and skill applied to productive industry.

The resources of nature, when rightly developed and distributed, are ample for the supply of every want of all the people of any country of the world. Wants that cannot be so supplied must go unsatisfied. There is no source of supply outside of the realms of nature.

NATURAL COMMERCE.

Commerce is an exchange of unlike commodities. Every seller is a buyer. Every buyer is a seller. Natural commerce is an exchange by one country, of commodities which it is best fitted to produce, with another country, for commodities which it cannot produce. Every artificial or legislative restraint upon such commerce is a direct barrier to the prosperity of the country imposing it. It aids the monopolizing of the commerce by large operators, such as corporations and trusts, and impoverishes the people by tending to restrain exports to the degree in which it restricts free imports.

Nations should promote the employment of their own people. It should be the policy of every community and country to finish, ready for use, so far as it can possibly do so, every commodity it exports. By doing this it secures for the employment of its own people all the work necessary to be done to prepare natural material for final use. If this work be not done by the people of the country in which a natural material is produced, it must be done by the people of the coun-

try to which the material is exported. The ability of a people to finish for final use all natural materials determines their ability to export finished products upon which the full amount of work required to prepare a natural material for final use has been done, instead of material in a natural state, upon which the least amount of work has been done. This ability fixes the degree of self-employment and determines progress toward commercial stability and independence.

ECONOMIC CONDITIONS MUST BE EQUALIZED.

Correctly to develop its resources in the production of natural material and the manufacture of the same into finished products for domestic use and export, it must be the public policy of the country to equalize economic conditions between itself and all other countries, so that its own people can manufacture and supply its domestic and foreign commerce on terms of equal competition with the manufacturers of any and every other country. The value of the difference in economic conditions at any time is determined by the sum of all differences in conditions that enter into the cost of a finished product. This fixes the amount of protection an industry will require in any country, at any time, to enable the people to manufacture and supply any article of commerce for domestic use in competition with an imported article of the same kind. This is the degree of protection necessary to enable the people to perform in their own country the work required to finish for final use articles from natural material of

their own production, or material which they may be able to import in an unfinished condition.

ECONOMIC CONDITIONS.

Differences in economic conditions are caused by :

1. Intelligence. Mechanical and administrative ability applied to producing finished products in the best form for final use at the least cost.

2. Finance. The relation to par with the world's standard of value, of the currency of the realm, and the abundance of such currency in a country, in comparison with its abundance in competing countries, which determines the rate of interest those engaged in industry and commerce must pay for the use of capital.

3. Insurance. The degree to which the science of insurance is developed and applied, by means of which manufacturers can minimize the risk of loss caused by eruptions of nature, unpreventable accidents, fluctuations in the yield of renewable natural products and unstable costs of natural materials.

4. Freight. The cost of delivery of a finished foreign product to a domestic user, measured against the cost of delivery from a domestic manufacturer to the same consumer.

5. Wages and Hours of Labor. Difference in labor cost due to the rate of wages and hours of labor, and also to the comfort and protection of health in the conditions required by law under which labor is performed.

6. Standard of Living. A high degree of intelligence, of mechanical and administrative ability, and a low standard of living are incompatible. The highest wage paid to the most skillful man, operating the most complicated and efficient machine, results in a lower labor cost per unit of product than can be attained by less skill and less efficient machinery, though the wage be only sufficient to sustain life at the lowest standard of living possible to any human beings. In competition with the most capable, the least capable must perish.

7. Cost of Government—Taxation. Taxes, local, state and national—as the terms would be expressed in the United States—include the total costs of government to be paid out of the earnings of industry, and the manner in which they are laid. A tax, identical in amount, may be so laid as to discourage industry or it may be so laid as to be the least possible burden upon industry. The amount of a tax and the manner in which it is laid are the important factors to be considered. In the United States, in one state, local taxation—village, city, township and school district—is three times as much as county taxation; the local and county taxation is seven times as much as state taxation. In this state during the decade from 1890 to 1900 the changes in economic conditions in relation to taxation, as shown by official records, were as follows:

FROM 1890 TO 1900.

Population, increase, per cent.....	13.2
Real estate value, increase, per cent.....	3.4
Personal property value, increase, per cent.....	2.9
Real estate value, per capita, decrease.....	\$30.00
Personal property, value, per capita, decrease.....	10.00
Real estate value, per capita, decrease, per cent.....	8.9
Personal property value, per capita, decrease, per cent.....	8.3
State taxation, increase per cent.....	10.7
County and local taxation, increase, per cent.....	20.8
Local debts, increase, per cent.....	52.7
Local debts, increase, per capita.....	\$5.98
Local debts, increase per capita, per cent.....	34.8

To check the growth of local taxation, states are now urged to adopt the policy of giving each locality complete control over the subject of taxation for local purposes, and to require a strict accounting for their use of the taxing power and the method of application through a uniform system of keeping all public accounts, prescribed and audited by the state, so that the results of the administration of each locality can be placed in comparison with similar results obtained in all other localities, thus inducing efficiency, by showing the people in what particulars their local government is less efficient than some other.

The official data of the valuation of real and personal property for the purposes of taxation, given above, is not a true exhibit of the actual economic conditions of the people. Real estate is undervalued from 40 to 80 per cent for the purpose of escaping state taxation, and only a very small per cent of the total value of personal property is listed for taxation. So small in fact, the taxation of personal property is a farce.

TO RECAPITULATE.

The elements of cost of production that may be equalized by legislation are:

1. Intelligence.
2. Finance.
3. Insurance.
4. Freight.
5. Wages and hours of labor.
6. Standard of living.
7. Cost of government, taxation.

These all relate to the general economic conditions of a country, in comparison with the same conditions in a competing country. All of these conditions are changeable by progress in the development of the art of industry and the science of government.

NATURAL ECONOMIC CONDITIONS.

Natural economic conditions result from climate and soil, producing renewable food supplies and materials, and deposits of unrenovable material, such as coal and minerals. The natural products of a country that cannot be produced by other countries enjoy the highest measure of protection—a full degree of natural protection that cannot be overcome by the legislation of any other country.

The production of commodities, whether natural or manufactured, which, by reason of favoring artificial or natural economic conditions, can be delivered to consumers in foreign countries with a safe and commercial profit, in competition with similar commodities

produced in that or any other country, requires no protection. In such case it may be said that the art of industry and the science of government affords the production of such commodities the full degree of natural or complete protection.

COMMERCIAL STABILITY AND INDEPENDENCE.

Commercial stability and independence are acquired by perfecting the art of industry and the science of government, so that every commodity exported by a country can compete successfully in the world's markets with similar commodities, wherever produced. Industries so developed enjoy the full degree of complete natural protection, therefore they need no legislative protection. Countries that do not occupy this position in regard to any industry, the development of which is not prohibited by the natural causes, must apply the principle of legislative protection to permit the development of the art of producing any specific commodity until it has attained the full degree of natural protection. If it fails to do this, it can never acquire industrial independence in the production of that commodity.

A CORRECT PUBLIC POLICY.

The correct public policy for any nation is legislative protection for the production of all commodities, while such protection is necessary to equalize economic conditions, and no protection—no import duties—on commodities for which legislative protection is unnecessary. This policy requires the gradual reduction of legislative

protection as gains are made in perfecting the art of an industry and the science of government, until such protection is no longer required. Under such a system commodities will be continually placed upon the free list, having reached the degree of full protection, while other commodities will be continually placed upon the protected list, until the art of their production is fully developed, the progress of development to be marked from year to year by a corresponding decrease in legislative protection.

ILLUSTRATION.

Economic protection ..	10	20	30	40	50	60	70	80	90	100
Legislative protection .	90	80	70	60	50	40	30	20	10	100
Natural protection ...	100	100	100	100	100	100	100	100	100	100

By adopting, intelligently applying and unwaveringly adhering to this policy, any country can acquire commercial stability and independence, in so far as nature has designed it to be independent of other countries.

This policy can be adopted by any and all nations without giving offense or being detrimental to any other nation, because it concedes it to be the right and the duty of each nation to safeguard the welfare of its own people, as it is the right duty of a father to safeguard the wellbeing of his own children.

LIVING AND DYING NATIONS.

History is a record of the birth, maturity and death of nations. Life is manifest by ability to progress from old and inferior to new and better conditions. Decay is the reverse process. A nation that is making

progress in the art of industry and science of government is gaining in the mastery of commerce and power of executive administration. Its sphere of influence will broaden as it acquires commercial stability and independence. Its aggressive ability will measure its command of peace. Its allies will be bound to it by a community of interests which secures to each gains that are an increment of the dynamic forces of the world directed to the betterment of mankind.

In this broad sphere of action, in the far-reaching sweep of events, statesmen who see most clearly the ultimate from the beginning, and possess the patient courage to lead their people in the right direction, asking them to take but the one step at a time that they can take, will work to the best purpose. They will be sustained and aided in their work by all forces that make for the good. To the accomplishment of such purpose an over-ruling providence that has caused events to lead humanity from savagery to civilization, from slavery to freedom, from ignorance to wisdom, stands pledged. The purpose of a true statesman and the purpose of God must be identical, the development and safeguarding of the welfare of the people, and the peace of the world.

ALLEN RIPLEY FOOTE,
Editor Public Policy,
Chicago, U. S. A.

Addressed to His Excellency,
COUNT MATSUKATA,
New York, April 19, 1902.

SCIENTIFIC TARIFF PROTECTION.

EDITORIAL: PUBLIC POLICY, DECEMBER 6, 1902.

In this issue we present a discussion of the tariff question in two leading articles:

1. "President Roosevelt on Tariff Reform."

We also present editorial comments upon the president's address.

2. "International Commercial Policy Founded on Natural Economic Law."

Next to an absolute advantage in the total of business conditions, stability of conditions is the greatest promoter of prosperity. Our protective tariff is rightly designed to secure for American producers an absolute advantage in the sum total of business conditions. Its lack of stability is its greatest fault. Created by fiat decree, it is subject to revision by fiat demand. The policy of fiat legislation is responsible for the alternations of prosperity and calamity, so far as these conditions can be affected by tariff protection. Tariff schedules enacted and maintained, regardless of economic facts, are always assailed and ultimately modified or destroyed, regardless of differences in economic conditions between our own and foreign countries. Fiat legislation cannot establish stable conditions. It is legislation without a knowledge of or without regard to facts. It is government by guess-

work, prejudice and special interests. The advantages it gives are always tainted with fear that they will be arbitrarily taken away by a hostile Congress. While they last they weaken producers for competition in the world's markets, because they induce reliance upon a false security, instead of continuous and intelligent effort to reach a point of economic production against which, unaided by legislative protection, the free competition of the world cannot prevail.

SCIENTIFIC PROTECTION SAFEGUARDS COMMERCIAL INDEPENDENCE.

Producers of commodities for which legislative protection is unnecessary enjoy the highest attainable degree of protection and always advocate free trade. The purpose of protection is to foster and stimulate industrial development until it reaches a point at which it will need no legislative protection and can maintain its position in free competition with the world. It is obvious that this principle cannot be applied to the industries of the country en masse. It must be applied to each class of commodities upon their individual merits. Protection granted for a specific purpose should be granted under conditions that will give to it absolute stability until such purpose is accomplished. Such stability can be gained only by providing for a reduction of the protection granted in the exact ratio of progress made toward conditions under which free trade can be maintained. This will make the transition steady and natural and will proclaim every step of

progress in reducing legislative protection as a triumph of American skill, enterprise and financial ability. Producers of commodities that have outgrown the need of protection will bless the day when they were able to eliminate one of the most trying elements of uncertainty from their calculations—the uncertainty of political action.

A JUDICIAL NOT A LEGISLATIVE FUNCTION.

It is the function of the Congress to declare the principle of protection and to provide for its scientific application to all industries. In the administration of this principle, the degree of protection that should be granted or retained for the production of any commodity, during any year or period of time, is the determination of a fact. The determination of a fact is and must always be a judicial function. For this purpose a perpetual board of expert investigators must be created whose duties will be to ascertain and report facts. The organization of such a board, *preferably*, should be within the *Department of Commerce*, and should be one of the first duties of such department when created. If this is not attainable, the board should be created as a continuing commission for investigation on lines similar to the *Commissioner of Labor*. In this way only can the principle of tariff protection be scientifically administered. In this way only can the industries of the country secure the greatest possible benefits from the application of this sound economic principle. In this way only can the international com-

mercial policy of the United States be founded on natural economic law.

THE UNITED STATES A COMMERCIAL UNIT.

Individuals, firms and corporations may accomplish much in their unassociated capacity in the work of the American commercial conquest of the world. No military conquest of the world has ever been, or can ever be possible without an organized army and navy. No commercial conquest has ever been or can ever be possible without organized industries. Competitors must combine to obtain advantages that are unattainable by unassociated effort. This is the cause that creates governments, maintains them, gives them vitality to grow. In international competition the United States must deal with the powers of the world as a political and commercial unit. Its public policy must be designed to meet foreign competition, condition against condition. Intelligence must be met with intelligence; currency and banking systems by our currency and banking system; insurance protection by our insurance protection; transportation facilities by our transportation facilities; labor efficiency of men and machines by our men and machines; standard of living by our standard of living; governmental efficiency, cost and wisdom, by our governmental efficiency. The degree of protection required in any case is measured by our disadvantage in the total of these conditions. Relief from this disadvantage may come through individual genius, skill and enterprise, or by gains made through the public policy adopted for the development or regulation of

effort in any one or all of these great departments of endeavor. A properly organized and sustained board of investigation would take the entire field of human activity into consideration and show where and how gains may be made in any department, forwarding and maintaining the line at all points. In its sphere of action all interests should be merged in the general welfare of the nation. In the settlement of every question, in the promotion of every policy, such a board should present to Congress all facts considered in their relation to the United States as a commercial unit. In this way only can the work of every citizen be made to tell in greatest efficiency for the stability, prosperity and commercial supremacy of American industry and commerce. In this way only can the principle of economic protection bear its logical fruitage—free trade. Only those who need no protection are free.



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